



Llywodraeth Cymru
Welsh Government

Welsh Government

Final Budget 2019-20

A Budget to build a better Wales

December 2018

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Chapter 1: Introduction

Overview

- 1.1 The Welsh Government has tabled the final Budget for 2019-20 in accordance with Standing Order 20.
- 1.2 This is the final year of the UK Government's current Spending Review settlement, which set the Welsh Government's revenue budget for the period 2016-17 to 2019-20 and the capital budget until 2020-21. It will also be the last budget to be laid by the Welsh Government before the UK is scheduled to leave the EU on 29 March 2019.
- 1.3 The final Budget published today sets out our spending plans for 2019-20, together with capital plans until 2020-21.
- 1.4 It reflects changes to the outline draft Budget, which was published on 2 October, and the detailed spending plans published on 23 October.
- 1.5 This is the second year in which we have published our draft Budget proposals in two stages, in accordance with the budget protocol agreed with the Finance Committee. The first stage included information about the building blocks of the Welsh budget – where the funding comes from, including tax, borrowing and the block grant – together with the wider Welsh economic outlook; tax forecasts and how funding will be allocated to each portfolio at the Main Expenditure Group level. The second stage showed more detailed spending plans at each government portfolio level.

Draft Budget scrutiny

- 1.6 Scrutiny of the 2019-20 Budget has been structured in the same way as last year. Stage one scrutiny by the Finance Committee examined the major building blocks of the Welsh Government's Budget – where our funding comes from, including borrowing and our new taxation powers – followed by more detailed consideration of departmental spending plans by the National Assembly's subject committees during stage two.
- 1.7 The Welsh Government welcomes the important contribution provided by the Finance Committee and the National Assembly policy committees in the constructive scrutiny of budget proposals. We have looked at ways we can improve the presentation of our spending plans and provide greater detail to support meaningful scrutiny of our plans. We welcome the acknowledgement by the Finance Committee that the budget documentation included a number of changes in response to the evidence and feedback from last year's scrutiny, with a greater focus and alignment with *Prosperity for All* and the Well-being of Future Generations Act. We will look to build on this in future years.

- 1.8 The Welsh Government is currently reflecting on the recommendations made by the National Assembly committees and we will respond to these in due course.

Changes between the draft and final Budgets

- 1.9 We have welcomed the constructive debate during the budget scrutiny and have considered all the feedback received during this period, including from our delivery partners.
- 1.10 One of the main considerations since we published the draft Budget 2019-20 has been the UK Autumn Budget, which was published on 29 October and the implications for our final Budget 2019-20. When we published our draft proposals, we committed to local government being a key priority for any additional funding following the UK Autumn Budget. On 20 November, the Welsh Government announced a package of proposals for additional funding for local authorities. This package, which covers the period 2018-19 to 2020-21, is reflected in the final Budget in relation to 2019-20 and 2020-21.
- 1.11 In addition to the proposals for local government, we are making a number of other revenue and capital allocations in the final Budget. Further detail about these changes is set out in chapter three.

Budget engagement

- 1.12 The Welsh Government has held and will continue to hold budget engagement sessions to raise awareness of the budget process and its building blocks with the public and stakeholders across Wales. We welcome further opportunities for engagement.
- 1.13 The Budget calculator was developed as part of our 2016 Budget agreement with Plaid Cymru. We wanted to explore ways we could engage the public in the budget process and to increase the level of understanding about where Wales' budget comes from and how it is spent. During last year's Budget, the calculator gave people the opportunity to propose changes to the way in which the budget is allocated. The responses from the public generally mirrored the Welsh Government's commitment to health and social services.
- 1.14 When we published the calculator alongside the detailed budget this year, it included more information about the budget process and was intended to be more of an educational tool. This reflected feedback from the budget engagement sessions we undertook last year, which emphasised the need for people to understand the budget process in the first instance. One of the key learning experiences from the engagement to date has been that if we want to involve people in our budget process we must find new and innovative ways to do so. We are considering how we can do this to support the budget in future years.
- 1.15 The Welsh Government is seeking to grow its audience base for engagement about budgetary and fiscal matters using the Welsh rates of income tax, which

will be introduced from April 2019, as a catalyst. The campaign #MyTaxMyWales has been developed to illustrate the link between the money earned and raised in Wales through Welsh taxes and how it is spent on public services in Wales. We will be looking to expand our social media presence through Welsh Treasury channels.

MEG restatements

- 1.16 The final Budget BEL tables published on 18 December do not reflect the new Ministerial portfolios announced on 13 December. Re-stated BEL tables will be published by the final Budget debate on 15 January and will regularise changes to the new structures.

Chapter 2: UK Government's Autumn Budget

Overview

2.1 On 29 October, the Chancellor of the Exchequer presented the UK Autumn Budget. As a result of the UK Government's spending decisions, Wales received Barnett consequentials of £554.3m between 2018-19 and 2020-21. This comprises an extra £485.9m revenue; £59.9m capital and £8.5m of financial transactions capital.

Impact on Welsh Budget

2.2 While it appears our budget will increase by £554.3m over three years, this includes the consequential funding for the NHS, which was announced in June and has already been factored into the budget proposals, which were published in October.

2.3 The Welsh Government's final Budget outlines the changes we are making for 2019-20 and 2020-21 as a result of the additional funding received in the UK Autumn Budget. These are set out in chapter three.

Impact on Welsh tax forecasts

2.4 The UK Budget included a number of policy announcements relating to the taxes devolved to Wales but none which have any substantial implications for the Welsh Government's final Budget.

2.5 The headline measure to increase the income tax personal allowance to £12,500 in 2019-20 reduces expected receipts from Welsh rates of income tax by around £40m. However, the block grant adjustment in the first year will move in line with this reduced forecast and there will be no net budgetary impact.

2.6 There were also minor stamp duty land tax announcements but these have limited revenue impacts and do not require any immediate policy response in Wales.

2.7 The Office for Budget Responsibility (OBR) published revised revenue forecasts for the devolved taxes and for the UK Government counterparts, which are used to set the block grant adjustments. Overall, these result in only minor changes to the adjustments which were factored into the draft Budget. The OBR's latest forecasts for land transaction tax (LTT) and landfill disposals tax (LDT) revenues are similar to those in the draft Budget.

2.8 Our own devolved tax revenue forecasts have been revised in the light of the OBR's latest economic outlook and the most recent outturn information. There has been a very small downward revision to LTT in 2019-20 and a small

upward revision to LDT. Bangor University has scrutinised these forecasts to provide assurance and has published an updated report alongside this final Budget.

Chapter 3: Changes between draft and final Budget

Overview

- 3.1 An overview of the changes made between the publication of the draft and final Budgets is provided in this chapter.

Tax changes

- 3.2 The Welsh Government's intention to set each of the new Welsh rates of income tax at 10p was set out in the outline draft Budget on 2 October.
- 3.3 In the UK Autumn Budget on 29 October, the UK Government announced the personal allowance for income tax would increase to £12,500 in 2019-20 from £11,850 in 2018-19. This increase was bigger than assumed in the draft Budget forecast and has a negative impact on the revenues from the Welsh rates of income tax (WRIT). The forecast for WRIT in 2019-20 has fallen from £2,099m at the outline draft Budget to £2,059m in the final Budget, largely because of the personal allowance change. However, the block grant adjustment for income tax will be reduced in the same way as it is the first year of the new Welsh rates and there will be no net impact on the Welsh Government's budget in 2019-20.
- 3.4 The outline draft Budget established that there would be no changes to the rates and bands for land transaction tax in 2019-20. The UK Government announced in the UK Autumn Budget it would publish a consultation in January 2019 on a stamp duty land tax surcharge of 1% for non-residents buying residential property in England and Northern Ireland. The Welsh Government will monitor this consultation and consider whether there are any implications for land transaction tax. The UK Government also announced an extension to its first time buyer relief to cover shared ownership purchases. The Welsh Government set the threshold for land transaction tax at £180,000 in 2018-19 for all buyers, including shared ownership purchases, so these individuals already gain the benefit of reduced land transaction tax.
- 3.5 The rates for landfill disposals tax in 2019-20 were set out in the outline draft Budget, increasing in line with the retail price index. As previously announced, these were increased in line with the rates announced for landfill tax in England and Northern Ireland. There were no announcements in the UK Autumn Budget with implications for landfill disposals tax rates. The new landfill disposals tax rates have now been laid and will be considered by the National Assembly in January 2019.

Spending changes

- 3.6 Following the UK Autumn Budget, the Welsh Government has been determining how to deploy the additional funding available over the next two years to support the delivery of our priorities.

Local government

- 3.7 Local government has been at the heart of our considerations as we have worked through the detail of the UK Autumn Budget on our spending proposals over the last few weeks.
- 3.8 In preparing the draft Budget 2019-20, we recognised the real pressures local authorities are facing and were resolute in our commitment to do all we could to protect them from the worst effects of the UK Government's damaging policy of austerity as we entered this ninth year of austerity.
- 3.9 When the National Assembly passed the final Budget 2018-19, in January 2018, local authorities were facing a 1% reduction in the revenue support grant (RSG) for 2019-20 – this was equivalent to a cash reduction of £43m.
- 3.10 The decisions we took during the preparation of the draft Budget 2019-20 reduced that cut in funding in the RSG to less than £15m (equivalent to a reduction of 0.3% in the RSG). We put in place a floor to ensure no authority would face a reduction in funding of more than 1% over the previous year. The draft Budget also provided £84m of additional revenue in special grants and other funding streams for local government outside the RSG.
- 3.11 This was a challenging settlement overall for local authorities and we committed to local government being a key priority for any additional funding following the UK Autumn Budget.
- 3.12 As a result, on 20 November, we were able to announce a package of additional funding proposals worth a total of £141.5m over three years (2018-21) for local government. This package is included in the final Budget, in relation to 2019-20 and 2020-21, and includes:
- An additional £13m revenue in 2019-20 to provide local government with a cash-flat settlement (Local Government and Public Services MEG).
 - An extra £1.2m in 2019-20 to ensure no local authority faces a reduction of more than 0.5% (Local Government and Public Services MEG).
 - A further £7.5m in 2019-20 to meet cost pressures associated with implementing the teachers' pay award (Education MEG).
 - £2.3m in 2019-20 for children's social services to help prevent children from being taken into care (Health and Social Services MEG).

- Additional capital funding of £30m in 2019-20 and £20m in 2020-21 for the local authorities' general capital fund (Local Government and Public Services MEG) as part of a £100m package over three years.

3.13 We have also announced we intend to apply the full consequential received as a result of additional spending in England for rates relief to support businesses in Wales next year:

- An extra £23.6m to enhance our current high street rates relief scheme with an additional £2.4m for local authorities to provide discretionary rates relief (Local Government and Public Services MEG).

Prosperity for All – priority areas

3.14 In making new allocations as a result of the additional funding received following the UK Autumn Budget, we have considered whether we can provide any additional support for our strategic priorities.

3.15 In *Prosperity for All*, our six priority areas are – early years; housing; social care; better mental health; skills and employability and decarbonisation. A number of changes have been made to the final Budget and are summarised below:

Early years

- An additional £0.4m revenue in 2019-20 to expand the Food and Fun / Bwyd a Hwyl scheme, which supports children in some of the most deprived areas of Wales in the school summer holidays (Education MEG).

Social care

- An allocation of £7m revenue in 2019-20 to deliver the third increase to the capital limit, raising it to £50,000. This means people are able to keep more of their hard-earned savings before having to pay for residential care (Local Government and Public Services MEG).
- Following a Children's Rights Impact Assessment in relation to its allocated budget, the Cafcass Cymru budget will be increased recurrently by £1.04m from 2019-20 to provide funding for the established posts in the organisation. This will be managed within the Health and Social Services MEG.

Skills and Employability

- An extra £6.8m revenue in 2019-20 in support of our commitment to deliver 100,000 all-age apprenticeships during this term of government (Education MEG).
- An extra £4.771m revenue in 2019-20 to support the Further Education pay settlement (Education MEG).

- An additional £1.6m revenue in 2019-20 to further extend the PDG - Access scheme (Education MEG).
- An extra £0.5m revenue in 2019-20 to enhance support for music activities for young people (Education MEG).
- Support for improving village halls and miners' welfare halls with £0.06m revenue in 2019-20 through the Coalfields Regeneration Trust (Local Government and Public Services MEG).

Decarbonisation

- An extra £0.8m revenue and £3m capital in 2019-20 for Natural Resources Wales (Energy, Planning and Rural Affairs MEG).
- An extra £0.9m revenue in 2019-20 to support reducing food waste (Energy, Planning and Rural Affairs MEG).
- An additional £41k revenue and £171k capital in 2019-20 followed by £171k capital in 2020-21 to support tree planting through Natural Resources Wales (Energy, Planning and Rural Affairs MEG).

Budget Agreement

3.16 Discussions with Plaid Cymru have continued, building on our two-year Budget agreement reached last year and additional allocations are being made:

- An extra £5m capital in 2019-20, providing a total of £10m, to take forward work resulting from the feasibility studies into a national art gallery and national football museum (Economy and Transport MEG).

Technical change

3.17 One technical change has been made to the final Budget:

- Following publication and scrutiny of the budgets of the directly-funded bodies – the National Assembly for Wales; Public Services Ombudsman Wales and Wales Audit Office – we have received updated estimates for 2019-20. As a result, there is a marginal increase of £551k to the funding required in 2019-20. This adjustment will be managed through reserves.

Chapter 4: Assessment of the impact of changes between the draft and final Budgets

Overview

- 4.1 The Welsh Government's Strategic Integrated Impact Assessment (SIIA), published as part of the outline draft Budget, set out the impact of the high-level decisions. The impact of the detailed spending decisions at portfolio level was assessed as part of the detailed draft Budget by individual Cabinet Secretaries and Ministers and combined in a further SIIA.
- 4.2 Our programme for government, *Taking Wales Forward*, and the national strategy, *Prosperity for All*, underpin the draft Budget. The subsequent allocations made following the publication of the draft Budget continue to support the achievement of the Welsh Government strategic objectives and the national wellbeing goals. These spending decisions continue to reflect the emphasis we place on combating socioeconomic disadvantage; promoting children's rights and the Welsh language and encouraging equality and sustainable development, through improving the economic, social, environmental and cultural well-being of Wales.
- 4.3 This assessment provides a summary of the impact of changes between the draft and final Budgets.

Prosperous and Secure

- 4.4 We will provide additional support for apprenticeships of £6.8m revenue in 2019-20, which will enable us to further support our 100,000 all-age apprenticeships target during this Assembly term.
- 4.5 Employment is associated with a lower risk of deep and persistent poverty and plays a role in many aspects of wellbeing, not just as a source of income but also in promoting social interaction and mental and physical health. Some young people, including those from deprived communities and BME groups, are more likely to experience poverty if they are not in employment, education or training (NEET).
- 4.6 In light of the well-publicised pressures on the high street, £26m will be allocated to support businesses with their non-domestic rates. This shows our commitment to supporting businesses in Wales and helping to sustain their contributions to the Welsh economy, for example, through providing vital employment.

Healthy and Active

- 4.7 A lack of free, enriching activities and limited opportunities for group sports can have a significant, negative impact on a child's mental and physical

health, and educational attainment. Food and Fun / Bwyd a Hwyl is designed to enrich children's school holiday experience with participating schools providing children with two healthy meals a day as well as a wide range of food education, physical activity and other fun sessions during the summer break while also making the most of local school facilities. For some of our young people, the school summer holidays can be a difficult time. In some cases, children who benefit from free school breakfasts and lunches can often miss these meals and go hungry once their school closes for the holidays.

- 4.8 Compassionate, dignified social care plays an important role in creating and maintaining strong communities, helping people to stay healthy and live independently for longer. We have taken steps to protect health and social care in the round, recognising the importance social care plays in improving health and well-being for individuals and families.
- 4.9 The allocation for children's social care as part of the additional local government funding package is aimed at preventing children from being taken into care. Children who are taken into care are, on average, have poorer educational outcomes in school, with the gap widening as pupils get older.
- 4.10 Cafcass Cymru delivers a demand-led statutory service under The Children Act 2004 and has responded to a significant and continued increase in demand for its services since 2014-15. In response to this increase in demand the additional £1.04m will enable Cafcass Cymru to fund all existing substantive Family Court Adviser posts within the structure, ensuring the baseline post count of the organisation remains within the agreed 225 post limit.
- 4.11 Raising of the capital limit for residential care to £50,000, which is due to come into effect in April 2019, will mean people who have worked hard all their lives will be able to retain more of their savings and pass them on to the next generation. Residential charges will therefore have a lower impact on the quality of life of those who need residential care later in life. Providing additional funding for local government to support the costs of this will mean that local authorities do not have to meet this cost by cutting frontline services.

Ambitious and Learning

- 4.12 Participation in the arts and sports can have a positive impact on mental well-being and physical health, but also in terms of improving social connectedness and reducing anti-social behaviour. It therefore supports a wide range of well-being goals.
- 4.13 Supporting music activities for young people, from the classroom to national ensembles, are a priority for this government. Building on the funding agreed with Plaid Cymru as part of the two-year Budget agreement, an additional allocation of £0.5m in 2019-20 will be provided to further enhance provision.
- 4.14 The public sector workforce is our greatest public asset. As a result of the recent measures to remove the pay cap in Wales, pressures are appearing,

including in the further education (FE) sector. An extra £4.771m revenue funding in 2019-20 is being made available to support the FE pay settlement next year.

- 4.15 FE has a positive impact for young people as skill and qualification levels are the biggest single influence on people's chances of being in employment and their levels of income. The FE sector is a key player in the challenge to break the intergenerational cycle of low achievement in deprived areas.
- 4.16 The PDG - Access scheme helps cover the everyday costs associated with school – the cost of school uniforms, school sports kit as well as uniforms for wider activities such as scouts, guides and sports outside of school. It also covers equipment for activities within the curriculum, such as design and technology. Parents are able to access funding for equipment for out of school hours trips, including outdoor learning. The extension to the scheme means the funding will be available to more families at more points in a child's school career.
- 4.17 The introduction of the new curriculum in Wales is a significant change intended to equip our people for the future world they face. Funding specific support for teachers to ensure they are prepared and equipped to deliver the new curriculum is an essential part of this. Our teachers are our greatest agents for change and improvement in the classroom. An additional £15m over 2 years, provided as part of the local government package, will help local authorities meet the cost pressures associated with implementing the teachers' pay award.

United and Connected

- 4.18 In preparing the draft Budget 2019-20, the Welsh Government recognised the real pressures local authorities were facing and committed to do all it could to protect frontline services from the worst effects of the UK Government's damaging policy of austerity.
- 4.19 The draft Budget 2019-20 provided a challenging settlement overall for local authorities and the Welsh Government agreed local government would be a key priority for any additional funding following the UK Autumn Budget.
- 4.20 Local government is at the forefront of delivering public services, responding to local needs and helping to provide a fully-coordinated response alongside health and wider public services. Local authorities shape and provide local services, with a focus on the needs of people at all stages of their lives. Investing in the services people rely on and investing in activities that prevent problems arising or escalating is a fundamental part of our aim for sustainable local government.
- 4.21 Having worked through the detail of the UK Autumn Budget on our spending proposals, the following package of additional measures will be included in the final Budget for 2019-20 and 2020-21:

- An additional £13m revenue in 2019-20 in the revenue support grant (RSG) to provide local government with a cash flat settlement;
- Providing an extra £1.2m in 2019-20 to ensure no local authority faces a reduction of funding of more than 0.5%;
- Allocating £2.3m in 2019-20 for children's social services;
- £7.5m in 2019-20 to help local authorities to meet the cost pressures associated with implementing the teachers' pay award; and
- An increase of £50m capital over two years (£30m in 2019-20 and £20m in 2020-21) for the local authorities' general capital fund, as part of a £100m package over three years.

4.22 The Welsh Government recognises and celebrates the positive role arts and culture can play in tackling poverty and inequality, supporting tourism and enhancing our international reputation. The Welsh natural landscape is an important part of the country's culture and heritage wellbeing as well as being important for the tourism industry, which in turn supports economic growth.

4.23 Following continued discussions with Plaid Cymru an extra £5m capital in 2019-20 will be provided to take forward the results of the feasibility studies about a national art gallery and national football museum.

4.24 An additional £0.9m revenue has been allocated in 2019-20 to support reducing food waste. Efficient use of natural resources, including re-use and recycling, contributes to a reduced demand for extracted and harvested materials from across the planet. This reduces the impact of Welsh consumers on the global environment.

4.25 Acknowledging Natural Resources Wales continues to face pressures, an extra £0.8m revenue and £3m capital in 2019-20 will be allocated. The natural landscape is an important part of the country's culture and heritage wellbeing as well as being important for the tourism industry, in turn supporting economic growth.

4.26 Natural Resources Wales will also receive £41k revenue in 2019-20 and £171k capital in 2019-20 and in 2020-21 specifically to support tree planting. Trees absorb carbon dioxide, which can help combat climate change and improve air quality.

4.27 Support for improving village halls and miners' welfare halls has been allocated £0.06m of revenue funding in 2019-20 through the activities of the Coalfields Regeneration Trust. The Coalfields Community grant programme supports projects that have a positive impact on former coalfield communities.

Chapter 5: Welsh Government final Budget allocations for 2019-20

Overview

- 5.1 The changes described in chapter three are reflected in the revised spending plans set out in this chapter, together with the Main Expenditure Group spending plans in chapter six.
- 5.2 The detailed changes to our budget proposals between publication of the draft and final Budgets in 2019-20 are set out in the final Budget 2019-20 MEG BEL tables, which are published together with this explanatory note.

Table 5.1a - Sources of Finance 2019-20

2019-20 FINAL BUDGET			
COMPONENTS OF WELSH FINANCING	2019-20 Plans as per 2019-20 Draft Budget	2019-20 Changes	2019-20 New Plans as per 2019-20 Final Budget
RESOURCE FINANCING			
Departmental Expenditure Limit (DEL):			
Fiscal	11,590,375	100,431	11,690,806
Non-Fiscal	689,981	0	689,981
Drawdown from the Wales Reserve	125,000	0	125,000
Annually Managed Expenditure (AME):			
Fiscal	27,994	0	27,994
Non-Fiscal	122,368	0	122,368
Wales Devolved Financing:			
Non Domestic Rates	1,061,000	0	1,061,000
Welsh Rate of Income Tax	2,099,000	-40,000	2,059,000
Land Transaction Tax	258,000	-2,000	256,000
Landfill Disposals Tax	40,000	3,000	43,000
Principal repayment of borrowing	-3,147	0	-3,147
TOTAL RESOURCE FINANCING	16,010,571	61,431	16,072,002

CAPITAL FINANCING			
Departmental Expenditure Limit (DEL):			
General	1,817,226	10,591	1,827,817
Financial Transactions	300,219	0	300,219
Annually Managed Expenditure (AME):			
Capital	801,468	0	801,468
Wales Devolved Financing:			
Borrowing	125,000	0	125,000
TOTAL CAPITAL FINANCING	3,043,913	10,591	3,054,504
TOTAL WELSH FINANCING	19,054,484	72,022	19,126,506

Table 5.1b- Sources of Finance 2020-21

2019-20 FINAL BUDGET			
COMPONENTS OF WELSH FINANCING	2020-21 Plans as per 2019-20 Draft Budget	2020-21 Changes	2020-21 New Plans as per 2019-20 Final Budget
CAPITAL FINANCING			
Departmental Expenditure Limit (DEL):			
General	1,950,754	12,715	1,963,469
Financial Transactions	291,758	8,497	300,255
Annually Managed Expenditure (AME):			
Capital	0	0	0
Wales Devolved Financing:			
Borrowing	125,000	0	125,000
TOTAL CAPITAL FINANCING	2,367,512	21,212	2,388,724
TOTAL WELSH FINANCING	2,367,512	21,212	2,388,724

Table 5.2a - Allocation of the Wales Budget - Resource

MAIN EXPENDITURE GROUPS (MEGs)		2019-20 Allocations as per 2019-20 Draft Budget	2019-20 Changes	2019-20 New Plans as per 2019-20 Final Budget
		£000s		
Health and Social Services		8,347,402	2,300	8,349,702
Local Government and Public Services		5,389,999	77,260	5,467,259
Economy and Transport		1,310,134	5,000	1,315,134
Education		2,567,970	21,571	2,589,541
Energy, Planning and Rural Affairs		366,666	4,912	371,578
Central Services and Administration		317,865	0	317,865
Total Allocations to Welsh Government MEGs		18,300,036	111,043	18,411,079
Unallocated Resource	Fiscal Resource	147,131	-12,121	135,010
	Non-Fiscal Resource	155,788	50	155,838
Unallocated Capital	General	191,882	-27,507	164,375
	Financial Transactions	190,743	0	190,743
Assembly Commission		56,414	609	57,023
Public Services Ombudsman for Wales		4,480	75	4,555
Wales Audit Office		7,261	-115	7,146
Direct Charges to the Welsh Consolidated Fund		749	-12	737
TOTAL WELSH BUDGET		19,054,484	72,022	19,126,506

Table 5.2b - Allocation of the Wales Budget - Capital

MAIN EXPENDITURE GROUPS (MEGs)		2020-21 Allocations as per 2019-20 Draft Budget	2020-21 Changes	2020-21 New Plans as per 2019-20 Final Budget
		£000s		
Health and Social Services		338,488	0	338,488
Local Government and Public Services		513,456	20,000	533,456
Economy and Transport		613,192	0	613,192
Education		179,555	0	179,555
Energy, Planning and Rural Affairs		94,836	171	95,007
Central Services and Administration		17,648	0	17,648
Total Allocations to Welsh Government MEGs		1,757,175	20,171	1,777,346
Unallocated Capital	General	377,624	-7,383	370,241
	Financial Transactions	231,908	8,497	240,405
Assembly Commission		500	0	500
Public Services Ombudsman for Wales		25	-3	22
Wales Audit Office		280	-70	210
TOTAL WELSH BUDGET		2,367,512	21,212	2,388,724

Table 5.3a- Summary of the Welsh Government MEG total allocations 2019-20

2019-20 FINAL BUDGET TOTAL MEG ALLOCATIONS										
£000s										
MAIN EXPENDITURE GROUPS (MEGs)	Resource			Capital			AME			TOTAL MEG ALLOCATION
	Fiscal	Non Fiscal	Resource Total	General	Financial Transactions	Capital Total	Resource	Capital	AME Total	
Health and Social Services	7,625,506	190,000	7,815,506	369,096	4,000	373,096	161,100	0	161,100	8,349,702
Local Government and Public Services	3,777,155	200	3,777,355	528,273	72,637	600,910	1,088,994	0	1,088,994	5,467,259
Economy and Transport	476,535	196,677	673,212	552,536	33,030	585,566	56,356	0	56,356	1,315,134
Education	1,576,421	107,154	1,683,575	206,674	-191	206,483	-101,985	801,468	699,483	2,589,541
Energy, Planning and Rural Affairs	237,659	21,592	259,251	109,927	0	109,927	2,400	0	2,400	371,578
Central Services and Administration	277,684	16,000	293,684	21,204	0	21,204	2,977	0	2,977	317,865
TOTAL ALLOCATIONS TO WELSH GOVERNMENT MEGs	13,970,960	531,623	14,502,583	1,787,710	109,476	1,897,186	1,209,842	801,468	2,011,310	18,411,079

Table 5.3b- Summary of the Welsh Government MEG total allocations 2020-21

2020-21 FINAL BUDGET TOTAL MEG ALLOCATIONS				
£000s				
MAIN EXPENDITURE GROUPS (MEGs)	Capital			TOTAL MEG ALLOCATION
	General	Financial Transactions	Capital Total	
Health and Social Services	334,488	4,000	338,488	338,488
Local Government and Public Services	489,951	43,505	533,456	533,456
Economy and Transport	602,612	10,580	613,192	613,192
Education	179,750	-195	179,555	179,555
Energy, Planning and Rural Affairs	93,007	2,000	95,007	95,007
Central Services and Administration	17,648	0	17,648	17,648
TOTAL ALLOCATIONS TO WELSH GOVERNMENT MEGs	1,717,456	59,890	1,777,346	1,777,346

Table 5.4- Changes to the Welsh Government Fiscal Resource DEL

FISCAL ALLOCATIONS			
MAIN EXPENDITURE GROUPS (MEGs)	£000s		
	2019-20 Allocations as per 2019-20 Draft Budget	2019-20 Changes	2019-20 New Plans as per 2019-20 Final Budget
Health and Social Services	7,623,206	2,300	7,625,506
Local Government and Public Services	3,729,895	47,260	3,777,155
Economy and Transport	476,535	0	476,535
Education	1,554,850	21,571	1,576,421
Energy, Planning and Rural Affairs	235,918	1,741	237,659
Central Services and Administration	277,684	0	277,684
Total Fiscal Allocations to Welsh Government MEGs	13,898,088	72,872	13,970,960

Table 5.5 – Changes to the Welsh Government Non-Fiscal Resource DEL

NON-FISCAL ALLOCATIONS			
MAIN EXPENDITURE GROUPS (MEGs)	£000s		
	2019-20 Allocations as per 2019-20 Draft Budget	2019-20 Changes	2019-20 New Plans as per 2019-20 Final Budget
Health and Social Services	190,000	0	190,000
Local Government and Public Services	200	0	200
Economy and Transport	196,677	0	196,677
Education	107,154	0	107,154
Energy, Planning and Rural Affairs	21,592	0	21,592
Central Services and Administration	16,000	0	16,000
Total Non Fiscal Allocations to Welsh Government MEGs	531,623	0	531,623
Total Resource Allocations to Welsh Government MEGs	14,429,711	72,872	14,502,583

Table 5.6 – Changes to the Welsh Government Capital DEL – General Capital (excluding Financial Transactions)

GENERAL CAPITAL ALLOCATIONS						
MAIN EXPENDITURE GROUPS (MEGs)	£000s					
	2019-20 Allocations as per 2019-20 Draft Budget	2019-20 Changes	2019-20 New Plans as per 2019-20 Final Budget	2020-21 Allocations as per 2019-20 Draft Budget	2020-21 Changes	2020-21 New Plans as per 2019-20 Final Budget
Health and Social Services	369,096	0	369,096	334,488	0	334,488
Local Government and Public Services	498,273	30,000	528,273	469,951	20,000	489,951
Economy and Transport	547,536	5,000	552,536	602,612	0	602,612
Education	206,674	0	206,674	179,750	0	179,750
Energy, Planning and Rural Affairs	106,756	3,171	109,927	92,836	171	93,007
Central Services and Administration	21,204	0	21,204	17,648	0	17,648
Total General Capital Allocations to Welsh Government MEGs	1,749,539	38,171	1,787,710	1,697,285	20,171	1,717,456

Table 5.7 – Changes to the Welsh Government Capital DEL – Financial Transactions

FINANCIAL TRANSACTION CAPITAL ALLOCATIONS						
MAIN EXPENDITURE GROUPS (MEGs)	£000s					
	2019-20 Allocations as per 2019-20 Draft Budget	2019-20 Changes	2019-20 New Plans as per 2019-20 Final Budget	2020-21 Allocations as per 2019-20 Draft Budget	2020-21 Changes	2020-21 New Plans as per 2019-20 Final Budget
Health and Social Services	4,000	0	4,000	4,000	0	4,000
Local Government and Public Services	72,637	0	72,637	43,505	0	43,505
Economy and Transport	33,030	0	33,030	10,580	0	10,580
Education	-191	0	-191	-195	0	-195
Energy, Planning and Rural Affairs	0	0	0	2,000	0	2,000
Central Services and Administration	0	0	0	0	0	0
Total Financial Transaction Capital Allocations to Welsh Government MEGs	109,476	0	109,476	59,890	0	59,890
Total Capital Allocations to Welsh Government MEGs	1,859,015	38,171	1,897,186	1,757,175	20,171	1,777,346

Table 5.8 – Welsh Government AME Budget – Resource allocations

RESOURCE ALLOCATIONS			
MAIN EXPENDITURE GROUPS (MEGs)	£000s		
	2019-20 Allocations as per 2019-20 Draft Budget	2019-20 Changes	2019-20 New Plans as per 2019-20 Final Budget
Health and Social Services	161,100	0	161,100
Local Government and Public Services	1,088,994	0	1,088,994
Economy and Transport	56,356	0	56,356
Education	-101,985	0	-101,985
Energy, Planning and Rural Affairs	2,400	0	2,400
Central Services and Administration	2,977	0	2,977
Total Resource AME Allocations to Welsh Government MEGs	1,209,842	0	1,209,842

Table 5.9 – Welsh Government AME Budget – Capital allocations

CAPITAL ALLOCATIONS			
MAIN EXPENDITURE GROUPS (MEGs)	£000s		
	2019-20 Allocations as per 2019-20 Draft Budget	2019-20 Changes	2019-20 New Plans as per 2019-20 Final Budget
Health and Social Services	0	0	0
Local Government and Public Services	0	0	0
Economy and Transport	0	0	0
Education	801,468	0	801,468
Energy, Planning and Rural Affairs	0	0	0
Central Services and Administration	0	0	0
Total Capital AME Allocations to Welsh Government MEGs	801,468	0	801,468
Total AME Allocations to Welsh Government MEGs	2,011,310	0	2,011,310

Chapter 6: Main Expenditure Group spending plans

Table 6.1 – Year on year percentage change, Total Allocations

MEG - Year on Year Percentage Change	£000s		
	2018-19	2019-20	
MAIN EXPENDITURE GROUPS (MEGs)	Supplementary Budget June 2018	2019-20 New Plans as per 2019-20 Final Budget	% Change
Health and Social Services	7,795,872	8,349,702	7.10%
Local Government and Public Services	5,405,117	5,467,259	1.15%
Economy and Transport	1,150,136	1,315,134	14.35%
Education	2,416,879	2,589,541	7.14%
Energy, Planning and Rural Affairs	353,854	371,578	5.01%
Central Services and Administration	324,048	317,865	(1.91)%
Total Allocations to Welsh Government MEGs	17,445,906	18,411,079	

Table 6.2 – Year on year percentage change (real terms), Total Allocations

MEG - Year on Year Percentage Change - Real Terms	£000s		
	2018-19	2019-20	
MAIN EXPENDITURE GROUPS (MEGs)	Supplementary Budget June 2018	2019-20 New Plans as per 2019-20 Final Budget	% Change
Health and Social Services	7,795,872	8,349,702	5.22%
Local Government and Public Services	5,405,117	5,467,259	(0.63)%
Economy and Transport	1,150,136	1,315,134	12.34%
Education	2,416,879	2,589,541	5.26%
Energy, Planning and Rural Affairs	353,854	371,578	3.16%
Central Services and Administration	324,048	317,865	(3.63)%
Total Allocations to Welsh Government MEGs	17,445,906	18,411,079	

Table 6.3 – Year on year percentage change, Fiscal Resource DEL

FISCAL RESOURCE - Year on Year Percentage Change	£000s		
	2018-19	2019-20	
MAIN EXPENDITURE GROUPS (MEGs)	Supplementary Budget June 2018	2019-20 New Plans as per 2019-20 Final Budget	% Change
Health and Social Services	7,124,209	7,625,506	7.04%
Local Government and Public Services	3,719,010	3,777,155	1.56%
Economy and Transport	458,948	476,535	3.83%
Education	1,541,631	1,576,421	2.26%
Energy, Planning and Rural Affairs	232,734	237,659	2.12%
Central Services and Administration	282,022	277,684	(1.54)%
Total Fiscal Resource Allocations to Welsh Government MEGs	13,358,554	13,970,960	

Table 6.4 – Year on year percentage change (real terms), Fiscal Resource DEL

FISCAL RESOURCE - Year on Year Percentage Change - Real Terms	£000s		
	2018-19	2019-20	
MAIN EXPENDITURE GROUPS (MEGs)	Supplementary Budget June 2018	2019-20 New Plans as per 2019-20 Final Budget	% Change
Health and Social Services	7,124,209	7,625,506	5.15%
Local Government and Public Services	3,719,010	3,777,155	(0.22)%
Economy and Transport	458,948	476,535	2.01%
Education	1,541,631	1,576,421	0.46%
Energy, Planning and Rural Affairs	232,734	237,659	0.32%
Central Services and Administration	282,022	277,684	(3.27)%
Total Fiscal Resource Allocations to Welsh Government MEGs	13,358,554	13,970,960	

Table 6.5 - Year on year percentage change, Capital DEL

CAPITAL - Year on Year Percentage Change	£000s				
	2018-19	2019-20		2020-21	
MAIN EXPENDITURE GROUPS (MEGs)	Supplementary Budget June 2018	2019-20 New Plans as per 2019-20 Final Budget	% Change	2020-21 New Plans as per 2019-20 Final Budget	% Change
Health and Social Services	364,663	373,096	2.31%	338,488	(9.28)%
Local Government and Public Services	609,285	600,910	(1.37)%	533,456	(11.23)%
Economy and Transport	467,879	585,566	25.15%	613,192	4.72%
Education	203,627	206,483	1.40%	179,555	(13.04)%
Energy, Planning and Rural Affairs	105,634	109,927	4.06%	95,007	(13.57)%
Central Services and Administration	23,087	21,204	(8.16)%	17,648	(16.77)%
Total Capital Allocations to Welsh Government MEGs	1,774,175	1,897,186		1,777,346	

Table 6.6 - Year on year percentage change (real terms), Capital DEL

CAPITAL - Year on Year Percentage Change - Real Terms	£000s				
	2018-19	2019-20		2020-21	
MAIN EXPENDITURE GROUPS (MEGs)	Supplementary Budget June 2018	2019-20 New Plans as per 2019-20 Final Budget	% Change	2020-21 New Plans as per 2019-20 Final Budget	% Change
Health and Social Services	364,663	373,096	0.51%	338,488	(11.00)%
Local Government and Public Services	609,285	600,910	(3.11)%	533,456	(12.92)%
Economy and Transport	467,879	585,566	22.95%	613,192	2.72%
Education	203,627	206,483	(0.38)%	179,555	(14.70)%
Energy, Planning and Rural Affairs	105,634	109,927	2.23%	95,007	(15.22)%
Central Services and Administration	23,087	21,204	(9.77)%	17,648	(18.36)%
Total Capital Allocations to Welsh Government MEGs	1,774,175	1,897,186		1,777,346	

Table 6.7 – Year on year percentage change, Resource AME

AME RESOURCE - Year on Year Percentage Change	£000s		
	2018-19	2019-20	
MAIN EXPENDITURE GROUPS (MEGs)	Supplementary Budget June 2018	2019-20 New Plans as per 2019-20 Final Budget	% Change
Health and Social Services	117,000	161,100	37.69%
Local Government and Public Services	1,076,422	1,088,994	1.17%
Economy and Transport	26,632	56,356	111.61%
Education	(97,234)	(101,985)	4.89%
Energy, Planning and Rural Affairs	2,400	2,400	0.00%
Central Services and Administration	2,939	2,977	1.29%
Total Resource AME Allocations to Welsh Government MEGs	1,128,159	1,209,842	

Table 6.8 – Year on year percentage change (real terms), Resource AME

AME RESOURCE - Year on Year Percentage Change - Real Terms	£000s		
	2018-19	2019-20	
MAIN EXPENDITURE GROUPS (MEGs)	Supplementary Budget June 2018	2019-20 New Plans as per 2019-20 Final Budget	% Change
Health and Social Services	117,000	161,100	35.27%
Local Government and Public Services	1,076,422	1,088,994	(0.61)%
Economy and Transport	26,632	56,356	107.89%
Education	(97,234)	(101,985)	3.04%
Energy, Planning and Rural Affairs	2,400	2,400	(1.76)%
Central Services and Administration	2,939	2,977	(0.49)%
Total Resource AME Allocations to Welsh Government MEGs	1,128,159	1,209,842	

Table 6.9 - Year on year percentage change, Capital AME

AME CAPITAL - Year on Year Percentage Change	£000s		
	2018-19	2019-20	
MAIN EXPENDITURE GROUPS (MEGs)	Supplementary Budget June 2018	2019-20 New Plans as per 2019-20 Final Budget	% Change
Health and Social Services	0	0	0.00%
Local Government and Public Services	0	0	0.00%
Economy and Transport	0	0	0.00%
Education	661,816	801,468	21.10%
Energy, Planning and Rural Affairs	0	0	0.00%
Central Services and Administration	0	0	0.00%
Total Capital AME Allocations to Welsh Government MEGs	661,816	801,468	

Table 6.10 - Year on year percentage change (real terms), Capital AME

AME CAPITAL - Year on Year Percentage Change - Real Terms	£000s		
	2018-19	2019-20	
MAIN EXPENDITURE GROUPS (MEGs)	Supplementary Budget June 2018	2019-20 New Plans as per 2019-20 Final Budget	% Change
Health and Social Services	0	0	0.00%
Local Government and Public Services	0	0	0.00%
Economy and Transport	0	0	0.00%
Education	661,816	801,468	18.97%
Energy, Planning and Rural Affairs	0	0	0.00%
Central Services and Administration	0	0	0.00%
Total Capital AME Allocations to Welsh Government MEGs	661,816	801,468	

Annex A - Reconciliation between administrative Budget and Resource Allocations in the Annual Budget Motion

2019-20 FINAL BUDGET							
£000s							
	Health and Social Services	Local Government and Public Services	Economy and Transport	Education	Energy, Planning and Rural Affairs	Central Services and Administration	TOTAL
Resource	7,815,506	3,777,355	673,212	1,683,575	259,251	293,684	14,502,583
Capital	373,096	600,910	585,566	206,483	109,927	21,204	1,897,186
Resource AME	161,100	1,088,994	56,356	-101,985	2,400	2,977	1,209,842
Capital AME	0	0	0	801,468	0	0	801,468
TOTAL MANAGED EXPENDITURE	8,349,702	5,467,259	1,315,134	2,589,541	371,578	317,865	18,411,079
Reconciliation to Resources							
Resource Consumption - Welsh Government Sponsored Bodies	-250	-200	-6,281	-305	-12,400		-19,436
Supported Borrowing		-88,800					-88,800
National Insurance Fund Receipts Collection Costs	-906						-906
National Non-Domestic Rates Payable (and Collection Costs)		-1,066,172					-1,066,172
Interest Repayments on Borrowing						-4,295	-4,295
PFI			-8,982				-8,982
RESOURCES REQUESTED	8,348,546	4,312,087	1,299,871	2,589,236	359,178	313,570	17,222,488

Annex B - Glossary

Action	<i>Within each Spending Programme Area (SPA), budgets are allocated to a number of sub-programmes known as Actions.</i>
Ambits	<i>Descriptions of the specific purposes for which the Welsh Ministers are authorised by the National Assembly for Wales to spend resources. Ambit descriptions and resource limits are contained within the annual Budget motion. Ambits correspond to MEGs.</i>
Annually Managed Expenditure (AME)	<i>Expenditure which cannot reasonably be subject to firm, multi-year limits in the same way as DEL and is therefore reviewed twice a year as part of the HM Treasury's Budget and pre-Budget report processes. AME typically consists of programmes which are large, volatile or demand-led; for example the issue of student loans.</i>
Budget Expenditure Line (BEL)	<i>Within each Action budgets are allocated to a number of sub-expenditure groups known as BELs. Tables showing budgets at BEL level are available at: http://gov.wales/funding/budget/?lang=en</i>
Budget Motion	<i>The means by which the National Assembly for Wales authorises the Welsh Ministers to spend resources up to a specific level for specified purposes and to draw cash up to a specific limit from the Welsh Consolidated Fund.</i>
Capital	<i>Expenditure that in the main results in a physical asset, for example a new building. A proportion of the Capital DEL includes financial transactions capital.</i>
Departmental Expenditure Limit (DEL)	<i>The multi-year budget limit for the Welsh Government set by the HM Treasury. DEL is planned and controlled on a multi-year basis in Spending Reviews. The Welsh Government DEL and AME budgets have separate capital and resource limits.</i>
Depreciation	<i>The drop in value of an asset due to wear and tear, age and obsolescence. Under resource budgeting, depreciation is part of the Welsh Government's DEL but is a non-fiscal resource DEL item.</i>
Direct Charges on the Welsh Consolidated Fund	<i>Expenditure which is legally required to be charged directly to the Welsh Consolidated Fund and therefore does not score against the budgets of the Welsh Government or any other body. Direct charges include the remuneration of the Presiding Officer and Auditor General.</i>
Financial Transactions Capital	<i>Financial transactions capital is part of the capital DEL settlement that can only be used for loans and equity investments to third parties. In the main, the funding must be repaid to HM Treasury.</i>

Fiscal Resource DEL <i>(previously known as near-cash)</i>	<i>The Fiscal Resource DEL budget scores most of the department's current expenditure. Expenditure is recorded on an accruals basis. It includes expenditure on pay, current procurement, resource grants and subsidies.</i>
Main Expenditure Group (MEG)	<i>The Welsh Government DEL is divided into a number of Main Expenditure Groups. There are currently six MEGs: Health and Social Services; Local Government and Public Services; Economy and Transport; Education; Energy, Planning and Rural Affairs and Central Services and Administration.</i>
Non-Fiscal Resource DEL <i>(previously known as non-cash)</i>	<i>The Non-Fiscal Resource DEL budget scores the department's current expenditure in respect of impairment of student loans and depreciation. Non-Fiscal Resource DEL is ring-fenced and cannot be used to fund fiscal resource DEL spending.</i>
Receipts	<i>Some areas of Welsh Government activity generate income, for example, through the sale or rental of assets. These are represented in the Budget as negative figures.</i>
Resource budgeting	<i>The Welsh Government's Budget is set on a resource basis derived from accruals information. Accruals information measures resources as they are consumed rather than when the cash is paid. So, for example, resource budgeting includes a charge for depreciation, a measure of the consumption or wearing out of capital assets.</i>
Resource <i>(previously known as revenue)</i>	<i>Current expenditure, for example funding for the pay of public sector workers and to purchase consumable goods and services.</i>
Spending Review	<i>Every two or three years HM Treasury reviews expenditure for each UK Government Department and sets budgets for the forthcoming years. Budgets for the devolved administrations are derived from these budgets via the Barnett formula, which is the mechanism used by HM Treasury to calculate public expenditure allocated to Wales to reflect changes in spending levels allocated to public services in England.</i>
Total Managed Expenditure (TME)	<i>This is an HM Treasury control total, which is made up of the total Departmental Expenditure Limit plus Annually Managed Expenditure.</i>

Wales Reserve	<i>The Wales Reserve will operate from April 2018 as a new tool to enable the Welsh Government to manage its budget across years. The Welsh Government will be able to save surplus revenues from the devolved taxes and underspends on the Departmental Expenditure Limit in the Reserve for use in future years. The Reserve will be able to hold up to £350m, with an annual drawdown limit of £125m for resource and £50m for capital. There will be no annual limit for payments in to the Reserve.</i>
Welsh Consolidated Fund	<i>The account into which the money voted by the UK Parliament for use by the Welsh Government, the Assembly Commission, the Auditor General, and the Public Services Ombudsman for Wales is paid.</i>
WGSB	<i>Welsh Government Sponsored Body. Examples include the Higher Education Funding Council for Wales and the Arts Council of Wales.</i>